

**FISCAL YEAR 2001 BUDGET
OF
CHRISTINE TODD WHITMAN
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE FIRST ANNUAL SESSION
OF THE TWO HUNDREDTH AND NINTH LEGISLATURE**

Speaker Collins, Senate President DiFrancesco, members of the Legislature:

Two weeks ago, I presented to you my vision for the year ahead – a vision that builds on our work together and seeks to make New Jersey an even better place in which to live, work, and raise a family.

It's also a vision that recognizes the ability we have to do great things for the people of our state – the people we have the honor to serve.

That ability doesn't come just from the Constitution or just from the statutes. It also comes from this simple fact: our success in managing the state's fiscal affairs – and the unparalleled prosperity New Jersey now enjoys – gives us an unprecedented opportunity.

I call this opportunity New Jersey's "Prosperity Dividend." Let's use this dividend, not just to build on what we've accomplished, but to do even more for our fellow citizens.

It's a hard-earned opportunity. After all, less than ten years ago the state budget was balanced through higher taxes on things like toilet paper and practices such as the state selling itself a highway it already owned.

Fortunately, those are now distant memories. In their place, we've built a record of fiscal responsibility, a record of which we can be proud.

Since 1994, we've held the annual rate of growth of the state budget to its lowest level in 30 years.

We've totally eliminated the use of so-called "one-shot" revenue sources.

We've brought the combined balance of the Rainy Day Fund and the surplus from less than \$150 million in my predecessor's last budget to \$850 million in this budget.

Over the past six years we've built a strong fiscal record and we've done some big things for the people of our state.

We've cut taxes 37 times, saving New Jerseyans \$11 billion by the end of this fiscal year.

We're providing some \$10 billion – half the budget – in property tax relief. From rebates, to veteran's tax credits, from property tax deductibility, to school aid, we're returning record amounts of tax relief to the people.

We're saving more open space than ever before. Our historic commitment to preserve one million acres of open space and farmland for our children and grandchildren is funded in this budget as well.

Those who doubted our course said we couldn't do any one of these things, let alone all of them. They were wrong.

Because of our responsible fiscal policies – and the prosperity they have helped stimulate – we are doing all these things. Now, my friends, we can do even more.

We can return even more money to the taxpayers – and we can do it this year.

We can invest even more in our people – and we can do it this year.

We can invest even more in our infrastructure – and we can do it this year.

We can invest even more in our future – and we can do it this year.

The budget I submit to you today does all these things and it does them this year.

Of course, the first recipients of our prosperity dividend must be the taxpayers. Any time government takes in more than it spends, our first obligation is to them.

We must never forget that government revenues are taxpayers' dollars – dollars they earned through their own hard work and initiative. That's why this budget contains nearly half-a-billion dollars in new money for tax cuts for the people of New Jersey.

That includes almost \$200 million more in direct property tax relief, so we can double the average NJ SAVER rebate check. People will find those checks in their mailboxes later this year.

GOVERNOR'S MESSAGE

There's another place people can expect to find more money – right in their paychecks. The state's unemployment insurance fund has more than enough to cover anticipated expenditures. We shouldn't ask taxpayers for a dollar more than we need.

So my budget also includes \$130 million to relieve all New Jersey workers of their unemployment insurance contribution for the next two years, and another \$130 million to lower the unemployment tax rate on employers.

These tax cuts – numbers 38 and 39 – again demonstrate our basic belief in letting people keep more of the money they earn.

Of course, keeping more of what you earn is especially important to the working poor – the people who go to work every day but don't earn enough to make themselves economically self-sufficient.

For those who struggle to earn a living, any tax bite is painful. In addition, for those moving from welfare to work, taxes undermine welfare reform.

Over the past six years, we've made real progress in relieving the tax burden on the working poor here in New Jersey.

One of the first things I did when I took office was to remove 380,000 low-income taxpayers from the rolls. More recently, thanks to the Speaker's leadership, we've exempted another 320,000 low-income earners.

But exempting the working poor from the state income tax doesn't exempt them from all taxes, especially the federal government's payroll taxes.

That is why I am proposing the creation of a New Jersey Earned Income Tax Credit. This credit, when fully phased in over the next four years, will pay \$823 to every working family earning just the minimum wage.

The EITC reaffirms our commitment to the value of work. It will give more than 200,000 hard-working families a real hand up, not just a hand out. I look forward to working with Assemblyman Bagger to get this done. Oh, and in case anyone's counting, it will make for tax cut number 40.

As we have seen over the past six years, the best investments we make are in the men, women, and children who call our state home.

Now, we have a new opportunity to make another wise investment in the needs of our people. The settlement between the states and the tobacco companies allows us to build on what we've done and do even more.

With \$7.4 billion over the next 25 years, we have to set a good example – avoid the “raid the cookie jar” mentality – and spend this money responsibly. When considering how to use these funds, we should also keep in mind the justification for the settle-

ment – compensation for covering years of healthcare expenses for smokers.

To do justice to those who've lost their battle with tobacco, it's clear we should use most of this money, once we receive it, to safeguard the health of our people.

That's why we should dedicate \$200 million – two-thirds of the tobacco funds we'll receive annually – to healthcare.

You may recall I initially expressed my goal to use the entire proceeds of this settlement for healthcare. I believe, however, that the tobacco money we'll invest in the health of our citizens meets our goal.

Let's begin by putting the first \$30 million into a comprehensive Tobacco Control Program. We can turn the tide on our state's single most preventable cause of death and disease. Prevention is the best cure.

Second, let's use \$15 million for supplemental charity care, so that more hospitals in New Jersey will receive some reimbursement for the free services they provide to the uninsured.

Next, let's target \$10 million toward cancer research and treatment. I agree with Senator Sinagra, every New Jerseyan who's fighting cancer should be able to find the top-notch care they need right here at home.

These programs are in addition to the \$33 million for senior care and biotechnology research I announced in my State of the State address. Taken together, all these initiatives will make New Jersey a healthier place to live.

But there's more we can do. Let's use the next \$100 million in tobacco funds to address a growing problem – the rising number of uninsured adults in our state. By establishing a program I call New Jersey FamilyCare, we can help 125,000 low-income adults obtain the health insurance they need.

We're already insuring more than 55,000 children through New Jersey KidCare, a program that I know is very important to the Senate President. Our new program will provide subsidized health insurance to the adults who can least afford it, including many of the parents of children in KidCare. Children shouldn't have to see their parents get sick because they don't have the money to see a doctor.

FamilyCare coverage would include preventive services, doctors' visits, prescription drugs, and mental health services.

Because this program will improve the health of New Jersey's families and reduce the cost of charity care, we will enroll as many people as we can as quickly as possible.

Among the first people we will target are those whose children are already in KidCare, as well as those who are on General Assistance. We know who they are; we can sign them up right away.

This way, our investment in FamilyCare will be paying dividends from the start – from healthier families to lower overall medical costs.

With respect to the remaining \$100 million, the Speaker, the Senate President, and I have all agreed that it should be used for school construction – a program that will certainly contribute to the well-being of our children.

These uses of the tobacco settlement are prudent and appropriate. But with our prosperity dividend, there's so much more we can do – especially for those who have not enjoyed the full measure of New Jersey's success.

With this budget, I propose an historic \$72 million investment in services for people with disabilities.

First, let's follow through on our nationally recognized plan to eliminate the Community Services Waiting List for people with developmental disabilities – giving even more people the option of living in homes of their own.

At the same time, we are providing for increased job training and community support to make that transition to independence even smoother.

We can also make it easier for people with mental illnesses to be integrated parts of our communities.

Many people with these illnesses can live and work independently if we can provide appropriate assistance and affordable housing. That's why this budget funds a supportive housing initiative for people with mental illness.

We're also making sure that disabled New Jerseyans aren't penalized for taking a big step toward independence – a job. With this budget, New Jersey becomes one of the first states in the nation to extend Medicaid coverage to disabled people who work.

What's more, we're doing more for those who care for people living with disabilities. This budget ensures that direct care workers receive the salaries they deserve for the specialized care they give. With this budget we're investing in every one of the many faces of our one family.

As we invest in helping the disabled live fuller lives, let's also make sure that we are helping emotionally troubled young people get the assistance they and their families need.

It's become increasingly clear, in recent years, that we can better serve children with emotional and behavioral problems by coordinating the many services the state offers them.

Right now, we spend \$167 million a year on various services for troubled youngsters. Yet far too often, these children and their families don't receive the full-range of services they need, when they need them. The system has become too fragmented. It's time to fix it.

This budget begins a four-year effort to totally reform the way we deliver services to these children. Over that time, investment in this initiative – the Children's System of Care – will increase to \$280 million a year. We will be able to offer a broad range of treatment options to all troubled children and their families.

By revolutionizing how this state provides services to these children, we will ensure that no child simply gets bounced from agency to agency, or even worse, slips through the cracks. We want every child to receive the counseling and care they need, to have the future they deserve.

As we reach out to our most troubled youngsters, we are also doing more to give our school students somewhere to go for advice.

This budget provides a healthy increase for our nationally recognized school-based youth services program. This program provides mental health, substance abuse, employment, and family counseling.

Where this program is already in place, we are seeing great results: fewer incidents of violence, smoking, vandalism, and teen pregnancy and higher graduation rates. Through this budget, we can reach even more kids with this worthwhile program.

Of course, once our students graduate from high school, we want them to look to our state's colleges and universities for a high-quality education that prepares them to achieve their dreams.

This budget builds on our commitment to higher education with an increase of \$61 million for the senior public institutions. In total, we make a \$1.7 billion investment in New Jersey's college students.

At the same time, we are continuing our commitment to our county colleges – the gateway to opportunity for more than 121,000 New Jerseyans. With an increase of over \$17 million, we will help them hold the line on tuition for the third year in a row.

Combined with increases in Tuition Aid Grants and Educational Opportunity Fund grants and scholarships, we are keeping higher education accessible and affordable for all our students.

As important as it is to help our students with tuition aid, we know that families often share many of these expenses. We should make it even easier to save for college.

That's why we started New Jersey BEST, our college savings plan. In this budget, as they say in 4-H, we're making the best even better.

GOVERNOR'S MESSAGE

I want to improve the program in four ways. First, we'll reduce fees, so that more of the dollars you save can grow. Next, we'll allow state employees to sign up for an automatic payroll deduction, and encourage other employers to do the same. Then, we'll triple, to \$1,500, the maximum scholarship for New Jersey BEST savers who attend a New Jersey school. Finally, we will seek to improve the long-term rate of return.

Speaking of rates of return, I am happy to report that in 1999, New Jersey BEST savers earned more than 12 percent on their investments. That will go a long way toward financing Economics 101.

Just as we are able to make important new investments in New Jersey's people, so too does this budget use our prosperity dividend to promote important investments in our state's infrastructure.

The health of our transportation system is vital to the health of New Jersey. Our roads, highways, bridges, and transit are the lifeblood of this state. If we don't keep them in good repair, and if we don't keep up with the changing demands of our bustling state, New Jersey will grind to a halt.

Of course, maintaining and improving our transportation infrastructure takes years of planning, design, and engineering work before the first shovel can be put in the ground. Long-term projects require long-term planning.

That's why, in 1984, the Transportation Trust Fund was established. By ensuring a long-term commitment to meet our transportation needs, the TTF keeps New Jersey on track and moving ahead.

Almost two years ago, I presented a plan for renewing the TTF when it expires this coming June. I laid out my far-reaching vision for maintaining and improving our transportation network. I also identified a source of funding.

As you know, my proposal did not receive your support. Nevertheless, with Chairmen Cisela's and DeCrocce's leadership, we have continued to meet the needs of New Jersey's motorists, commuters, and businesses.

Now, however, we are faced with the expiration of the TTF in less than six months. It is vitally important that we act now, so that when June rolls around, transportation construction and planning can also keep rolling along.

That is why my budget proposal contains a one billion-dollar program for transportation in the next fiscal year; and we fund it, as the Senate President requested, without any increase in taxes or fees.

When coupled with federal funding, we will spend almost two billion dollars on transportation in this budget.

This proposal will ensure the continuity of planning and construction that is essential to any sensible long-range transportation plan. It also boosts the amount of pay-as-you-go funding for the TTF. That's another benefit of New Jersey's prosperity dividend.

In addition, my proposal will ensure that the TTF money we spend goes to capital projects. There has been concern in the past that some TTF funds were being used for operating expenses. That's not the intent of the fund. Let's put the "trust" back into the Transportation Trust Fund.

Our transportation system is not, however, the only major infrastructure need we have in New Jersey. We also face the enormous and expensive challenge of repairing and upgrading our public school buildings.

Over the past six years, we have made substantial progress in improving the quality of learning in our schools. Our tough academic standards, our integration of information technology, and our new standards for teacher quality are all improving what goes on inside the classroom. Now it's time to improve the classrooms themselves.

While the State Supreme Court has ordered us to fully fund necessary repairs and upgrades to the school buildings in our Abbott districts, they are not the only schools that need attention. In every part of the state, in every type of community, far too many children are learning in antiquated classrooms and outdated buildings.

My proposal embraces this challenge. Using the money from the tobacco settlement I mentioned earlier, as well as lottery and cigarette tax receipts, we will begin an up to \$10 billion effort to make every school building and every classroom conducive to learning.

Lest anyone question whether this is enough, let me point out that ours will be the biggest school construction and modernization program in America; bigger than any other state; bigger even than the President's proposal for the entire nation.

I hope to see a school construction bill introduced as soon as possible. Let's give future governors and legislatures a complete program that's manageable, affordable and does the job for all our kids.

Our strong fiscal position also allows us to attend to another important part of New Jersey's infrastructure - our hospital industry.

New Jersey has an outstanding statewide network of quality hospitals. We all know how important they are to our health and the health of our communities. It's good to know that a quality hospital is nearby if you or someone you love needs acute medical care.

Yet today, our hospitals are facing their toughest financial challenge ever. On any given day, one-third of New Jersey's hospital beds are empty. The changing nature of medicine in America – including everything from managed care to out-patient surgery – has made it increasingly difficult for hospitals to balance their budgets.

That's why, last year, I appointed the Governor's Advisory Commission on Hospitals. This commission has identified several steps we can take to help improve the health of our hospital industry.

As I mentioned earlier, the first thing we should do is assist those hospitals that have been providing charity care but haven't qualified for reimbursement.

State law requires every hospital to treat patients, whether they can afford to pay or not. Since 1993, our charity care program has helped reimburse the largest providers of free care. I don't intend to change that formula. But increasingly, many hospitals have been providing greater levels of charity care without qualifying for reimbursement.

Of course, programs like New Jersey FamilyCare, which will pay hospitals for the care they provide, will help. But they won't fully address the problem.

So as the advisory committee recommended, this budget makes available \$30 million – \$15 million in tobacco funds and \$15 million in matching federal funds – to provide nearly every hospital with some assistance in meeting its charity care obligations.

In addition, my budget includes \$50 million to help reimburse all those medical providers who weren't paid because of two recent HMO failures. This represents one-third of the unreimbursed costs these HMOs left behind. We expect the state's other HMOs to provide another \$50 million, with the providers themselves absorbing the last third of the cost.

This is a fair and equitable solution, but it will require legislative action. I look forward to working with Senator Cardinale and Assemblyman Bateman to make this happen.

This year we will provide \$172 million to help our hospitals recover their strength, so that they can continue to serve the health care needs of all New Jerseyans.

There's another use of our prosperity dividend I want to propose today. In a way, it's an investment in our infrastructure; but not in the usual sense of the word. I'm not speaking of things we can touch, like roads, bridges, and buildings.

Instead, I'm talking about things that touch us and make us proud to call New Jersey home. Tony-award winning theaters. First-class museums. Heroic battleships and hushed battlefields.

Kids who pick up a paintbrush or a pen and realize they are good at something – that they can learn and achieve. That is what our vital and vibrant arts and history communities bring to us every day.

I know you share my belief that a thriving cultural community is an integral part of any civilized society and every successful state. That's why we met the goal of providing \$20 million in 2000 to the Arts Council and are supplying the first-ever operating funds for history.

But the need for funding is still great – greater than the General Fund should be expected to accommodate. That's why today I propose that we create a \$200 million Cultural Trust for New Jersey.

The Trust, which will supplement, not replace, current funding for the arts, history, and humanities, will be a true public/private partnership. Private funding will leverage public dollars.

In this budget I propose we commit \$100 million over the next ten years to fund the Trust, matching private contributions dollar for dollar. I challenge the business community, our foundations, and all New Jerseyans to do as the State will do – go above and beyond your usual generous support for our cultural institutions.

I look forward to working with Assemblyman Leonard Lance to establish this Trust. Together, we will guarantee the future of our cultural treasures. Let's make sure they will be there for your great-grandchildren and mine.

Over the past six years, we've accomplished so much together for the people of our state. Our careful stewardship of our state's resources – and the prosperity dividend it has helped create – is making it possible for us to do even more.

Now we have another opportunity -- the opportunity to lock-in our legacy of fiscal responsibility. Let's establish a system to save money in the future by systematically reducing New Jersey's debt load.

Like every governor and legislature before us, we have taken advantage of favorable market conditions to finance several long-term projects with long-term debt. During that time, the state's total debt load has increased about six percent a year.

I know this number will surprise those who have been arguing that debt has grown at a much faster rate. The numbers differ because we have, for the first time, introduced honest accounting to debt calculations.

In previous administrations, a substantial portion of the money New Jersey owed was carried off the books. For example, more than \$1.4 billion in JUA/MTF debt – debt the state owed to insurance companies and policyholders – was not counted.

GOVERNOR'S MESSAGE

In total, we found that more than \$4 billion in state obligations were excluded. New Jersey's true debt load was significantly understated. It's as if an individual applying for credit listed his mortgage balance but failed to list the balance of his car loan.

We've corrected that accounting oversight. Now, every obligation of the State of New Jersey is reflected in our debt reporting. That was an important first step - giving a true picture of what we owe. Now it's time to take the next step.

In this budget I propose the creation of a permanent, dedicated Debt Retirement Fund. This fund would be used at the discretion of the Treasurer to strategically reduce New Jersey's outstanding debt.

The fund would be replenished as part of the annual budget process, tied to a formula that maintains a healthy surplus and Rainy Day Fund, while still putting aside money to make payments on what we owe.

To accomplish this, I propose that when the Rainy Day Fund reaches \$720 million, we split any additional revenues between debt retirement and the general surplus.

Putting money toward debt reduction is like paying more than the minimum due on your credit card. The sooner you pay down the balance, the less you have to pay in the long run.

We will know later this year, when the Comprehensive Annual Financial Report is issued, exactly how much we will be able to put toward debt retirement; but it's not too early to prepare.

Members of the Legislature, this is my budget proposal for fiscal year 2001. This budget maintains and expands our commitment to the major accomplishments we've achieved over the past six years and it uses New Jersey's prosperity dividend to do even more for the people we serve.

I look forward to working with the Senate President, the Speaker, Chairman Littell in the Senate, and Chairman Lance in the Assembly to advance the goals we all share. Together, we will produce a budget that reflects our commitment to investing the people's resources in the people's priorities.

Thank you.

Respectfully submitted,

Christine Todd Whitman
Governor of New Jersey